



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 3/30/2004

GAIN Report Number: VE4004

Venezuela

Grain and Feed

Annual

2004

Approved by:

Leanne E. Hogie

U.S. Embassy VENEZUELA

Prepared by:

Clara Nuñez

Report Highlights:

U.S. wheat exports to Venezuela jumped over 20 percent in 2002/03 led by durum exports and trade should remain good in 2003/04. U.S. rice exports also reached a record level this past year as both the government and private sector imported to make up for a crop shortfall and Post estimates continued rice imports. However, corn trade continues to be stymied by import license restrictions. In addition, Post estimates a decline in corn imports in 2003/04 due to a decline in demand for animal feed.

Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Annual Report

Caracas [VE1]

[VE]

Table of Contents

Executive Summary.....	3
WHEAT	4
Production	4
Consumption.....	4
Trade	4
Marketing	5
SORGHUM.....	6
Production	6
Consumption.....	6
Trade	6
Marketing	6
RICE	7
Production	7
Consumption.....	7
Trade	7
Marketing	8
CORN.....	9
Production	9
Consumption.....	10
Trade	10
Marketing	11
PSD TABLES.....	12

Executive Summary

Sorghum production is expected to increase in 2003/04 and area yield is also forecasted to continue increasing in 2004/05. Given the current oversupply of domestic sorghum in the country, Venezuela will not be a target market for U.S. sorghum in the near future.

Venezuela is heavily dependent on imports of wheat for domestic flour milling activities. For 2003/04 Post estimates an increase in wheat imports to 1.25 million tons, as demand for wheat and wheat products is estimated rebound back to previous levels. An increase in U.S. durum exports contributed to a major recovery of U.S. market share, which jumped to over 50 percent for the 2002/03 year.

Traditionally Venezuela has been self-sufficient in rice production, but Venezuela imported 85,000 tons of rice from the United States in 2003. These were the first rice imports in over seven years. Post estimates that about 80,000 more tons of rice imports will be needed this year in order to avoid a shortage, with a similar quantity forecast for 2005.

Total yellow corn imports were only 615,000 MT in 2002/03 and Post estimates a further decline in 2003/04 due to a decline in demand for animal feed as many operations have gone out of business. Imports are forecast to increase slightly in 2004/05 but import licenses restrictions remain a problem.

WHEAT

Production

Wheat production in Venezuela is negligible. Only a small amount of wheat for local consumption is produced in the western Andean part of the country. Venezuela does not have a favorable climate to produce large amounts of wheat.

Consumption

In Venezuela there are nine milling companies operating 14 mills. Total installed capacity in Venezuela is estimated to be 6,230 tons per day, of which 1,230 tons per day is durum milling capacity. Venezuelan milling capacity is concentrated in two primary groups that control an estimated 57 per cent of the installed capacity. The largest milling group is Cargill of Venezuela with an estimated milling capacity of 2,210 tons per day. The second largest group is MONACA with an estimated capacity of 1,360 tons per day. The other group of millers includes MOCASA, MOSACA, MOLVENCA, MOHICA and MOLGUACA.

Venezuelan millers have traditionally imported high quality, high protein wheat, which has given the United States an advantage over other suppliers. Given the current economic recession growth in demand for wheat is limited. However, wheat consumption has not been affected as much as other products since pasta and bread constitute low-cost basic staples of the Venezuelan diet and compose much of the diet of poorer Venezuelans. Pasta and bread open market prices have managed to remain under the price control levels, which is a major accomplishment due to the devaluations in Venezuela during the past year. (see VE3008 for more details)

Pasta still remains a preferred staple in the diet, and Venezuelans pasta consumption remains one of the highest in the world. Currently wheat food consumption in Venezuela is estimated to be 47 kg per capita per year. Of this total, 28.6 kg are breads and rolls; 5.5 kg are sweet goods, cookies and crackers consumption, with an additional 12.8 kg of pasta consumed per person per year. According to the Venezuelan Bakery Association, Fevipan, there are an estimated 5,500 bakeries in Venezuela, of which 5,300 are artisan, 185 are considered mechanized and only 15 are automated with high technology. Venezuela's wheat consumption is expected to rebound in 2003/04 to previous levels of around 1.2 million tons. Consumption was dramatically lower in the July 2002 to June 2003 marketing year due to the effects of the two month long national strike and then the extended period until May 2003 when wheat importers could not get access to foreign exchange. Authorization of access to dollars at the official exchange rate through CADIVI, the government exchange control entity, has been proceeding fairly smoothly since May 2003 for wheat importers.

Trade

Venezuela is heavily dependent on imports of wheat for domestic flour milling activities. For 2003/04 Post estimates an increase in wheat imports to 1.25 million tons, as demand rebounds. The Venezuelan government has shown a relatively open policy toward wheat imports, in large part since there is no domestic production lobby opposed to imports. However, the exchange control situation in place since January 2003 has complicated trade, but wheat was included in the list of high priority products to receive dollars at the official rate. (For more information, see GAIN VE3007)

In 2002/03 U.S. Desert Durum from Arizona and California entered Venezuela as millers showed a marked preference for this product for pasta and bakery production. It often displaced the Canadian Navigator variety and produced excellent results. Use of the Quality Samples program was key for introducing Venezuelan millers to this product and its advantages.

This increase in U.S. durum exports contributed to a major recovery of U.S. market share which jumped to over 50 percent for the 2002/03 year. In addition, Canada had been an aggressive wheat supplier in Venezuela, but sources indicate that the CWB has been withdrawing from the Venezuelan market. The CWB was unable to offer spring wheat at competitive world prices due to weather reasons which led to an opportunity for some wheat buyers to shift back to U.S. wheat. Post estimates that U.S. market share, and total volume will increase for the 2003/04 year, with further modest increases in 2004/05.

Government imports of wheat and wheat flour through the new state-trading entity CASA, have to date been limited. However, CASA is increasingly marketing its own pasta brand through the new Mercal food distribution stores run by the government. These "Pasta CASA" packages do not indicate where the processing was done. The Mercal system is growing but still represents a very limited amount of food distribution. Enter trade text here

Marketing

Trade servicing, technical support and marketing assistance are important in order to maintain and improve the relations with clients. U.S. Wheat Associates continues to maintain a presence in Venezuela, and the operations of the wheat milling school, ESLAMO, were restructured this past year. While the political and economic turmoil recently has hurt recruiting for courses at ESLAMO, the new structure has made progress in modernizing operations and reaching out to new client bases. ESLAMO remains an underutilized resource, but is positioning itself for expanded operations when the situation in Venezuela stabilizes.

SORGHUM

Production

Sorghum is grown in the Venezuelan states of Guárico, Portuguesa, Cojedes, Barinas, Monagas and Bolivar, with Guárico accounting for over half of the total productions. The annual cycle includes two crops: the first planted in June/July and harvested September/October called the "cosecha Norte-Verano" or summer cycle. The second crop is planted in October/November and harvested in April/May and called the "cosecha de Invierno" or winter crop.

Venezuelan farmers generally obtain low sorghum yields, but it is an important crop for certain dryer areas. In addition, the government set guarantee prices encourage continued planting, even with low yields, as less efficient producers could still make a profit. In 2002/03 sorghum production was estimated at 316,000 tons. Sorghum production is expected to increase slightly in 2003/04 to 330,000 tons due to better weather conditions. Post is also forecasting a continued increase in area and yield for 2004/05.

Venezuela used to import around 1,000 tons of sorghum seed for planting, but in recent years domestic seed production has supplied most of the market, with imports down to only 143 tons.

Consumption

Grain sorghum mainly goes to poultry feed in Venezuela, and with every harvest there is a traditional conflict between sorghum producers that want an assured market for their crop and the local feed industry that states that it does not need as much sorghum as is produced in the country. Every year, the feed industry is forced to purchase the local crop. This is often achieved by denying importers access to import licenses for other feed ingredients, such as corn or soybean meal. This situation is complicated by the fact that crop statistics in Venezuela are not very common or reliable, so it is difficult to determine when the entire sorghum crop has been purchased.

Trade

Venezuela was a major importer of sorghum in the 1980's but has not imported in recent years. Venezuela has an import Tariff Rate Quota for sorghum set at 1,114,290 tons based on those historic imports. Venezuela used to export a small quantity, about 10,000 tons to Colombia, however it is not expected to do it in the next year due to high prices and the pressure of farmers to consume the product domestically.

In January 2004, farmers that had harvested sorghum in September/October 2003 began complaining that feed manufacturers had not purchased all the crop and they were worried that the April/May crop would soon enter the market, making it even more difficult to unload their aging sorghum. Post has received varying reports of companies that have purchased sorghum and not gotten licenses, and other companies that have purchased less and have received licenses. Post is not aware at this time of any public tracking system on licenses or sorghum purchase that is available.

Marketing

Given the current oversupply of domestic sorghum in the country, Venezuela will not be a target market for U.S. sorghum in the near future.

RICE

Production

Traditionally Venezuela has been self-sufficient in rice production and in many years was able to export 50,000 to 80,000 tons, mostly to Colombia. Rice is grown in the Venezuelan states of Portuguesa and Guárico. There are generally two rice crops each year, the Norte-Verano or summer crop planted in June/July and harvested in September/October, and the Cosecha de Invierno or winter crop planted in October/November and harvested in April/May. However in the past two years production has been down due mainly to lack of rain in the main irrigation district, reduced plantings and yields.

The main irrigation district for rice is in the state of Guárico and production there had been down for several years as low water levels made the irrigation channels unusable. (see VE2017 and VE3005 for more details) By the fall of 2003 the water levels were back up, but lack of maintenance on the channels prevented widespread use of water in last winter's crop, though an increasing number of tube wells in that area have helped production. It has also been reported that untimely rains and rat damage to the winter crop in Portuguesa will hurt yields there this year. In addition, production costs have increased substantially, especially for imported inputs, due to the devaluation of the Bolivar. While the official exchange rate is now at Bs. 1920 to the dollar, the parallel or black market rate at which many items must be purchased is Bs. 3300 to the dollar.

Therefore, current conditions do not warrant a significant increase in area harvested for 2004. Post forecasts production in 2004 at 356,000 tons milled rice, significantly above last years level but significantly below many local estimates. Some increase is expected in area planted for the summer crop due to the domestic shortfall and stronger rice prices. But the outlook for 2005 is not bright, and post forecasts a decline in production unless there are domestic price shifts to stimulate rice production and consumption levels.

Consumption

Rice lags behind wheat as a staple in the Venezuelan diet. Rice is a traditional food in Venezuela, yet per capita consumption is relatively low at an estimated 15.2 kg in 2003. Consumption is expected to remain at similar levels in 2004, but may show slight improvement in 2005, assuming that disposable incomes begin to improve again by that time. Roughly 10 percent of rice consumption is for feed use.

Trade

Venezuela imported 85,000 tons of rice from the United States in 2003. These were the first rice imports in over seven years. The Venezuelan government state trading entity Corporación CASA, made the first purchases which totaled 45,000 tons. CASA imported 15,000 tons of paddy, 20,000 tons of milled rice in bulk, 9,000 tons of milled rice in 50 kilo bags and 1,000 tons of pre-packed rice in 1 kg bags. This product has been commercialized through government food stores called Mercal. There were rumors about additional government imports of rice from Thailand but while the GOV tendered for more product, none has officially been imported to date.

The private sector faced great difficulty in obtaining import permits for rice in 2003, and by the time they were allowed to import there were also foreign exchange restrictions that they had to comply with. Finally, permits were granted for 50,000 tons of private sector rice imports, of which only 40,000 tons were purchased since it was the end of the season. These shipments also encountered additional problems when the vessel arrived at port which delayed unloading slightly. The private sector imported only paddy, since there is sufficient milling capacity in the country.

the GOV wants to maintain rice consumption levels there will be the need for further imports this year. Whether product comes in as government purchases or by the private sector will depend upon whether permits are made available. Post estimates that about 80,000 more tons of rice imports will be needed this year in order to avoid a shortage, with a similar quantity forecast for 2005. This quantity assumes that a significant amount of rice is being smuggled across the border to Colombia. Sources indicate that up to 60,000 tons of rice are leaving Venezuela through the "green channels" since price controls here have made this rice very attractively priced for the Colombian market.

Marketing

Post forecasts continued imports by Venezuela of rice. Imports are most likely to occur in the late spring and summer months as domestic stocks are depleted prior to the harvest of the local crop in October. It is expected that the GOV through CASA will continue to import product, and some private sector millers may also be given access to licenses. Millers would bring in paddy, while the GOV may be more inclined to bring in milled or even pre-packaged rice to ease its handling and distribution requirements. Purchasers will focus heavily on price rather than quality. However, purchasing decisions may often be made at the last minute which would give U.S. product an advantage.

CORN**Production**

Corn production in Venezuela is focused on white corn for human consumption, and very little yellow corn is produced. The corn basket of Venezuela is the state of Portuguesa, and other major corn producing areas are Barinas, Bolívar, Cojedes, Guárico and Yaracuy. Yields in Portuguesa are typically around 3.5 /hectare, and are lower at around 3.0 /hectare in Guarico. Venezuela generally harvests between 400,000 and 450,000 hectares of corn, though projections on plantings vary dramatically at the beginning of the season due to the lack of a crop statistics collection mechanism.

It is estimated that in 2002/03 Venezuela produced 1.15 million tons of corn on 400,000 hectares. For 2003/04 corn production was expected to be up significantly due to better weather conditions and improved yields in the state of Guarico. However, untimely rains at harvest cut expectations and Post estimates that the final crop was 1.2 million tons on 410,000 hectares. Post does not forecast a significant increase in production for 2004/05 as there has been no significant price stimulus to shift out of other crops into corn production. Recent government guarantee price levels for corn, rice and sorghum are listed below.

Cereal Prices in Bs. Per Kilo				
	2002 Prices	Spring 2003 Price	Fall 2003 Prices	Current Bolpriaven price
Corn	270	370	400	410
Paddy rice	250	340	370	401
Sorghum	234	274	320	350

CONSUMER PRICES FOR WHEAT PRODUCTS, RICE AND CORN FLOUR IN DOLLAR TERMS					
	Ave.Exchange	500 gr	kg	kg	kg
	Rate	Pasta	Bread	Rice	Corn Flour
Jan, 2002	761.55	0.47	1.74	0.75	0.72
July	1,328.98	0.41	1.33	0.53	0.48
Jan, 2003	1,800.00	0.4	1.1	0.57	0.43
July	1,600.00	0.52	1.42	0.63	0.54
Jan, 2004	1,600.00	0.52	1.55	0.9	0.62
%Change		11%	-11%	20%	-13%

Source: INE & BCV

CONSUMER PRICES FOR WHEAT PRODUCTS, RICE AND CORN FLOUR IN BOLIVAR TERMS					
	Ave.Exchange	500 gr	kg	kg	kg
	Rate	Pasta	Bread	Rice	Corn Flour
January-02	761.55	358.95	1,327.67	570.94	548.80
July	1,328.00	547.39	1,171.34	698.74	644.30
January-03	1,800.00	725.31	1,988.06	1,020.86	772.79
July	1,600.00	828.89	2,267.58	1,041.93	856.82
January-04	1,600.00	831.92	2,478.57	1,482.75	999.53
%Change		132%	87%	160%	82%

Source: INE & BCV

Consumption

White corn is a main staple in the Venezuelan diet. The white corn crop is traditionally purchased by the corn flour industry for producing a precooked corn flour, which is used to make a kind of corn flour bread called "arepas." Total consumption of corn flour has increased over the past three years in response to declining real incomes and since corn flour is cheaper relative to other food products. In addition, the corn flour price is now controlled, and the government is supplying corn flour at or below that price at its chain of food stores, Mercal. Virtually all domestic white corn production will go to human food use this year.

In past years, the animal feed industry has been required to purchase domestic white corn for feed use. This has significantly increased the cost of feed rations since the food grade white corn is much more expensive than the imported yellow corn used in the animal feed industry. Demand for yellow corn in Venezuela has been softening as hog and poultry production has declined due to unfavorable economic and political conditions.

Trade

The United States is the major corn supplier to Venezuela, traditionally shipping over a million tons annually. However, in recent years imports have been restricted generally starting each September when the GOV announces that it will not allow imports until all the domestic production has been purchased. While that requirement had traditionally been a gentleman's agreement, in September 2001 the government put that decree in writing for the first time. Imports have been severely reduced since that time, even though some import permits are released late in the season. Total yellow corn imports were only 615,000 MT in 2002/03 and Post estimates a further decline in 2003/04 due to a decline in demand for animal feed as many operations have gone out of business. Imports are forecast to increase slightly in 2004/05 assuming a desire on the part of the GOV to maintain a domestic poultry and pork industry.

Venezuela has a tariff rate quota for corn set at 583,459 tons with an in-quota rate of 20 percent. The out-of-quota rate is based on the Andean price band and due to recent price movements has fallen to only 3 percent. However, numerous importers have stated that they cannot get access to import licenses for either in-quota or the out-of-quota quantities.

The GOV used to maintain a listing of import licenses issued when this program was managed by the Ministry of Production and Commerce. Since the Ministry of Agriculture and Lands took over license issuance in mid-2002 the license register was discontinued. Sources indicate that licenses for only 100,000 tons of corn have been issued since September 2003.

There is no way to verify those statements. However, this limited quantity of corn availability is severely hampering the production of the poultry and pork sectors and forcing them to look for alternative feed ingredients that have poorer conversion ratios.

Marketing

The United States has natural advantages in this market due to proximity and year round availability. The United States has dominated the market for imported corn in Venezuela and is expected to continue to be the major supplier, but to a smaller market. Due to license restrictions, users have had to experiment with a variety of feed ingredients, some successfully and some not so successfully. In this atmosphere of improvisation, continued trade servicing, technical support, and marketing assistance are important in order to maintain and improve client loyalty and satisfaction.

As part of their continuous effort in servicing this market, the U.S. Grains Council recently hosted a 2 day seminar "Grain Contracting Seminar" in Maracay. This seminar on how to purchase grains was extremely well received by buyers, and additional activities emphasizing market mechanisms would be of value.

The GSM-102 program is currently not being used in Venezuela since Venezuelan banks are no longer eligible after the imposition of foreign exchange controls. However, Venezuela is still an active country for the program if financing can be worked out with a bank outside of Venezuela.

PSD TABLES

PSD Table

Country Commodity	Venezuela		(1000 HA)(1000 MT)				UOM
	2003	Revised	2004	Estimate	2005	Forecast	
Market Year Begin	USDA Official [Estimate [	DA Official [Estimate [	DA Official [Estimate [	DA Official [Estimate [	DA Official [Estimate [	New]	MM/YYYY
	07/2002	07/2003	07/2004				
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	75	75	75	56	0	106	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	961	961	1400	1250	0	1300	(1000 MT)
Jul-Jun Imports	961	961	1400	1250	0	1300	(1000 MT)
Jul-Jun Import U.S.	540	540	0	800	0	580	(1000 MT)
TOTAL SUPPLY	1036	1036	1475	1306	0	1406	(1000 MT)
TOTAL Mkt. Yr. Exports	2	0	30	0	0	0	(1000 MT)
Jul-Jun Exports	2	0	30	0	0	0	(1000 MT)
Feed Dom. Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumptic	959	980	1370	1200	0	1250	(1000 MT)
Ending Stocks	75	56	75	106	0	156	(1000 MT)
TOTAL DISTRIBUTION	1036	1036	1475	1306	0	1406	(1000 MT)

Import Trade Matrix

Country Venezuela

Commodity Wheat

Time Period Units:

Imports for:

U.S. U.S.

Others Others

Canada	382		337

Total for Others 382 0

Others not Listed

Grand Total 961 0

PSD Table

Country

Venezuela

Commodity

Sorghum

(1000 HA)(1000 MT)

	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin	10/2002		10/2003		10/2004		MM/YYYY
Area Harvested	140	130	135	135	0	140	(1000 HA)
Beginning Stocks	32	27	27	27	27	27	(1000 MT)
Production	330	316	330	330	0	340	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	362	343	357	357	27	367	(1000 MT)
TOTAL Mkt. Yr. Exports	5	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	5	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	325	316	325	330	0	340	(1000 MT)
TOTAL Dom. Consumptio	330	316	330	330	0	340	(1000 MT)
Ending Stocks	27	27	27	27	0	27	(1000 MT)
TOTAL DISTRIBUTION	362	343	357	357	0	367	(1000 MT)

PSD Table

Country

Venezuela

Commodity

Rice, Milled

(1000 HA)(1000 MT)

	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin	01/2003			01/2004		01/2005	MM/YYYY
Area Harvested	80	90	85	105	0	90	(1000 HA)
Beginning Stocks	197	197	52	147	0	142	(1000 MT)
Milled Production	270	290	305	355	0	300	(1000 MT)
Rough Production	398	427	449	523	0	442	(1000 MT)
MILLING RATE (.9999)	6786	6786	6786	6786	0	6786	(1000 MT)
TOTAL Imports	0	85	125	80	0	80	(1000 MT)
Jan-Dec Imports	125	85	200	80	0	80	(1000 MT)
Jan-Dec Import U.S.	0	83	0	20	0	40	(1000 MT)
TOTAL SUPPLY	467	572	482	582	0	522	(1000 MT)
TOTAL Exports	10	60	10	60	0	30	(1000 MT)
Jan-Dec Exports	25	60	25	60	0	30	(1000 MT)
TOTAL Dom. Consumptic	405	365	400	380	0	390	(1000 MT)
Ending Stocks	52	147	72	142	0	102	(1000 MT)
TOTAL DISTRIBUTION	467	572	482	582	0	522	(1000 MT)

PSD Table

Country

Venezuela

Commodity

Corn

(1000 HA)(1000 MT)

	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [D	USDA Official [	Estimate [D	USDA Official [	Estimate [New]	
Market Year Begin	10/2002			10/2003		10/2004	MM/YYYY
Area Harvested	400	400	460	410	0	420	(1000 HA)
Beginning Stocks	118	118	143	103	0	53	(1000 MT)
Production	1100	1150	1400	1200	0	1250	(1000 MT)
TOTAL Mkt. Yr. Imports	675	615	500	600	0	650	(1000 MT)
Oct-Sep Imports	675	615	500	600	0	650	(1000 MT)
Oct-Sep Import U.S.	652	605	0	590	0	640	(1000 MT)
TOTAL SUPPLY	1893	1883	2043	1903	0	1953	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	500	650	550	650	0	700	(1000 MT)
TOTAL Dom. Consumpti	1750	1780	1850	1850	0	1880	(1000 MT)
Ending Stocks	143	103	193	53	0	73	(1000 MT)
TOTAL DISTRIBUTION	1893	1883	2043	1903	0	1953	(1000 MT)